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Guaranteed loans for
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GUARANTEED LOANS FOR VETERANS



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Questions and Answers

VETERANS ADMINISTRATION
WASHINGTON 25, D. C.
NOVEMBER 1949

Foreword

The questions answered in this pamphlet are those most commonly asked by veterans in connection with the guaranty or insurance of a loan under the Servicemen's Readjustment Act of 1944, as amended.

The pamphlet is not a legal document and should not be interpreted as one. Nothing herein should be taken as changing the Act or Regulations. It does not attempt to go into detail or into unusual problems. Inquiry as to these should be made directly to your lender who will take them up with the Veterans Administration, if necessary.

The right to obtain guaranty or insurance of loans is to continue for 10 years after the officially declared termination of World War II. No veteran should use the right until he is convinced he has a good buy.

Further, the veteran should use only so much of the guaranty or insurance benefit as is necessary to obtain the loan he wishes. *The loan guaranty provision of the GI Bill is a valuable asset. Don't squander it.*

Another important point should be remembered. The appraisal report by an appraiser approved by the Veterans Administration can indicate only a price which is reasonable for the veteran to pay for the property at the time the appraisal is made. An appraisal cannot indicate whether the veteran's purchase is wise or unwise, or what the resale value may be at some future time, or whether, in the case of a farm or business loan, the veteran can repay the loan from the earnings of the farm or business. These decisions must be made by the veteran.

A loan guaranteed or insured under the Act is not a gift. The money must be repaid. The veteran should take every precaution to make sure that the loan will be a benefit and not a burden to him.

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A Word of Warning

There have been scarcities of housing, farm land, machinery, and equipment of all kinds. This scarcity, together with a large demand, have tended to boost prices to levels that are higher than normal.

Veterans should carefully consider this fact BEFORE they engage their credit on loans for the purchase of homes, farms, or businesses.

The loan guaranty provisions of the Servicemen's Readjustment Act make it easier for veterans to secure loans from banks, lending institutions, and other lenders.

Veterans should use their best judgment when considering the factors involved in a loan, so that when the loan is granted and approved it will be a help rather than a hindrance to the veteran in the years to come.

6 steps in arranging



1. Find the Property.



3. Present Your Plan and Original Discharge Papers.



5. Certificate of Reasonable Value Goes to Lender.

a Veteran's Loan . . .



2. Go to a Bank or Other Lending Agency.



4. Property Is Checked by Approved Appraiser.



6. If Loan Is Approved You Get the Money.

Questions and Answers

on Guaranteed Loans for Veterans . . .

1. What is meant by a guaranty of loan under the Servicemen's Readjustment Act (GI Bill)?

The guaranty of a loan by the Veterans Administration under the provisions of the Servicemen's Readjustment Act (GI Bill) is an agreement between a lender of money and the Veterans Administration that in the event a veteran fails to pay his loan, the Government will pay the guaranteed portion of the loan.

2. Is a loan guaranteed under the Act a gift?

No. A guaranteed loan is not a gift. It must be repaid. If the Government pays the guaranteed part of the loan to the lender, the veteran is obligated to the Government for that part of the loan it has paid to the lender.

3. Who may borrow money under the Servicemen's Readjustment Act of 1944, as amended?

(a) A veteran who was in the active naval or military service on or after September 16, 1940, and prior to the end of the present war, and who was discharged from such service under conditions other than dishonorable, who served at least 90 days, or if less than 90 days, was discharged for disability incurred in line of duty; (b) any person who, while a citizen of the United States, was in the active naval or military service of any Government allied with the United States in World War II, on or after September 16, 1940, and prior to the end of the present war, and who was discharged from such service under conditions other than dishonorable, who served at least 90 days, or if less than 90 days, was discharged for disability incurred in line of duty; provided, that the veteran is a resident of the United States, and has not applied for and received similar benefits from the Government in whose service he served. A person who meets any of the above requirements is eligible, even though he is on terminal leave or is in the hospital pending discharge at the time of the application.

4. Where may money be borrowed under the Act?

Money may be borrowed where people normally go to secure loans, i. e., banks, building and loan associations, insurance companies, public and private lending agencies, or individuals who are in a position to properly look after the loan.

5. Does the Veterans Administration make the loans?

No. The Veterans Administration is not permitted to make the loans. It only guarantees the repayment of at least a part of a loan made by a lender to a veteran. In addition to guaranteeing the loan, the Veterans Administration will pay to the lender for credit on the loan an amount equal to 4% of the amount of guaranty used. This is a gift and is not to be repaid by the veteran.

6. For what purpose may a veteran get a guaranteed loan?

To buy a home.

To build a home.

To repair, alter, or improve a home.

To buy a farm, livestock, equipment, supplies, or for working capital.

To construct a farmhouse or other buildings on a farm.

To repair, alter, or improve farmhouse or outbuildings.

To improve farm land or equipment.

To conduct farming operations.

To purchase stock in a cooperative association where the purchase of such stock is required by Federal law in connection with obtaining a farm loan.

To buy a business.

To buy a building or land for business purposes.

To buy business supplies and inventory.

To buy machinery, tools, and equipment for operating a business.

To construct, repair, or improve a business building or personal property.

To obtain working capital for a business. (Business includes a profession.)

7. Can a veteran get a guaranteed loan to pay off a debt in good standing?

No; unless the loan for the existing indebtedness is found to have been only interim financing. (Consult your lender.)



8. Can a veteran get a guaranteed loan to pay off a debt that is past due?

Yes; under certain conditions. For full information see your lender.

9. What papers should a veteran take to the lender when he goes to apply for a loan?

Original discharge papers or certificate of eligibility. A certificate of eligibility may be obtained at any Veterans Administration regional office.

10. What must a veteran do if he has lost his original discharge papers?

He must apply for a certificate in lieu of the discharge paper from the branch of the service from which he was discharged. Upon presenting this certificate to the local Veterans Administration office, the veteran will be issued a certificate of eligibility.

11. Will a certified true copy or a photostatic copy serve in the place of the original discharge paper?

No.

12. How much of a loan can be guaranteed?

Fifty percent of a loan may be guaranteed, but the amount of guaranty cannot exceed \$4,000 on real-estate loans, or \$2,000 on non-real-estate loans for each veteran.

13. What is the largest amount a veteran can borrow and the loan be guaranteed?

The size of the loan depends on what the lender is willing to lend with the amount of guaranty that can be issued upon the loan. The limitation is upon the amount of guaranty, not upon the size of the loan.

14. If part of the guaranty has been used, how is the guaranty remaining figured?

To figure unused guaranty, add to real-estate guaranty or insurance used for prior loans twice the non-real-estate guaranty or insurance used. Subtract from \$4,000. The sum remaining is the amount, subject to the other limitations of the Act and regulations, of real-estate guaranty available. The non-real-estate guaranty available is half of the said sum.

For example: A veteran has used \$1,500 for real-estate guaranty and \$350 for a non-real-estate guaranty and wishes to know what amount of guaranty remains for real estate or for non-real estate.

\$1,500—amount of guaranty previously used for real estate.

700— $(2 \times \$350)$ amount of guaranty previously used for non-realty.

\$2,200

$\$4,000 - \$2,200 = \$1,800$, amount of guaranty remaining for real estate.

$\$1,800 \div 2 = \900 , amount of guaranty remaining for non-real estate.



15. For what term of years can a guaranteed loan be made?

Payments must be such that they will repay a home or business real-estate loan within 25 years, a farm real-estate loan within 40 years, and a non-real-estate loan within 10 years.

16. What interest rate is charged?

The interest rate on a guaranteed loan or an insured real-estate loan cannot exceed 4%. The interest rate on a non-real-estate loan which is to be insured for the lender instead of guaranteed (see next question) may be as much as 5.70%.

17. What loans can be insured by the Veterans Administration?

Any loan eligible for guaranty when made by a supervised lender.

18. Does it make any difference to the veteran whether the lender procures insurance or guaranty on his loan?

Yes. Only 15% of the obligation is charged against the right of guaranty if the obligation is handled by the lender under the insurance provisions, whereas the charge may be as much as 50% of the obligation if guaranteed. The result is that more of the right of guaranty is used up in loan transaction by guaranty ordinarily, and so less remains available for future transactions.

19. What happens if the loan payments are not made?

If the payments are not made when due the loan is in default and the lender takes such action as is provided in the loan agreement and the State laws and regulations.

20. What benefit does the veteran get from having the Veterans Administration guarantee the loan?

A guarantee by the Veterans Administration means that the credit of the United States Government stands behind the guaranteed part of the loan. The security a veteran can offer a lender is increased by the amount of the guarantee.

21. Will a veteran be able to get a guaranteed loan indefinitely?

No. Application must be made within 10 years from July 25, 1947, the official end of the war, except in cases of individuals who enlisted in the period from October 6, 1945, to October 5, 1946.

They have 10 years from the expiration of their enlistments.

22. Are there any charges for obtaining a guaranteed loan?

Commissions, brokerage fees, or other charges for obtaining a guarantee cannot legally be charged to the veteran. Those fees usually paid by a borrower, such as appraisal, title search, recording fees, etc., may be charged against the veteran.

23. Is there any case where the guaranteed portion of a loan may be more than 50% of the loan?

Yes. Where some other Federal agency has made, guaranteed, or insured, or is to make, guarantee, or insure a loan for any of the eligible purposes and the veteran needs a second loan to complete the purchase, the second loan may be fully guaranteed by the Veterans Administration if—

- the amount involved is not more than the veteran's available guaranty, and
- the loan is not more than 20% of the purchase price or cost.



24. May several veterans use the guaranty to acquire property together?

Yes, but the total amount guaranteed may not exceed 50% of the loan or the total guaranty of the veterans, whichever is lesser. (No loan may be guaranteed to exceed 50% except a loan second to one made, guaranteed or insured by a Federal agency, as stated above.)

25. May a veteran purchase real property with a nonveteran and obtain guaranty?

Yes; but the amount of the loan on which the guarantee is based is in proportion to the veteran's interest in the loan.

26. May a lender require from the veteran security in addition to the property being purchased?

Yes. This is a matter between the veteran and the lender. While the Veterans Administration does not require that additional security be taken, it does not object to its being given if the veteran is willing to give it.

27. Is the guaranty privilege of a veteran restored to its original amount when the indebtedness is repaid?

No.

28. If both a husband and wife are veterans may they acquire property jointly and so increase the amount which may be guaranteed?



Yes. However, the guaranty may not exceed 50% of the loan, except as shown in question 23.

29. May a veteran pay off a loan that has been guaranteed before it becomes due?

Yes.

30. Can a guaranty be obtained if the proceeds are to be used by a minor or a person under legal disability?

Yes. This can be done if the loan and liens are valid under the State laws governing the transaction.

31. May widows or children of deceased veterans obtain guaranty of a loan?

No. The privilege is limited to veterans. A guaranty on a loan may continue, however, after the veteran's death.

32. Are veterans of World War I eligible for benefits under the Act?

No. Its benefits are for World War II veterans only.

33. Must a veteran put any of his own money into a business, a home, or a farm in order to get the guaranty?

This is not a requirement for guaranty. It is a matter that the veteran settles with the lender. The only bearing it has on the guaranty of the loan is that in the case of a farm or a business, it may affect the likelihood of the veteran's success in the venture.

34. How may a veteran find a lender?

By inquiring in the community in which he lives as to the lenders in his area who make the type of loan he wishes to obtain. Information as to who makes farm loans may be obtained usually from the County Agricultural Extension Agent and other business and home loans from the Chamber of Commerce, or by inquiring at banks, savings and loan associations, mortgage and insurance companies, and other public and private lending agencies.

35. If a lender turns down a veteran's application for a loan, what should the veteran do?

He should see another lender. The fact that one lender is not interested does not indicate that another may not be. One lender may not wish to make the type of loan the veteran wants.

36. May a loan be extended?

Yes; provided the veteran and the lender want to extend it and the extension provides for a complete repayment within the period for which the loan could have been made originally.

37. What effect does the guaranty of a loan for a veteran before the Act was amended have on his right of guaranty on other loans?

Any amount of guaranty which was used is deducted from the amount to which the veteran is entitled under the Act as amended. The remainder, if any, is available for use in connection with other loans.



38. Where may I get forms?

Lenders generally have the forms and other necessary papers and will fill them out for veterans. Any lender who does not have the forms may obtain them from the nearest office of the Veterans Administration.

39. Are lenders required to get prior approval from Veterans Administration before a guaranteed loan can be made?

Usually not. If the loan meets all the requirements of the Act and regulations and is made by a supervised lender, the guaranty is automatic.

40. Does a veteran who has become eligible through separation from service lose his eligibility by return to active service in the armed forces?

No. If he has become eligible once, he remains so provided he can meet the other requirements of the Act and regulations in regard to the loan.

41. May a veteran obtain in one State a loan for the purchase of property in another State?

Yes. However, the nature of the service a lender renders is such that generally lenders confine their lending operation to certain areas.

42. May a veteran obtain a guaranteed loan for the purchase of property or to engage in a business or in farming in a foreign country?

No. Real property and the principal place of business of any farming or business enterprise must be located in the United States, its territories, or possessions.

43. Is a veteran entitled to loan guaranty while receiving other benefits of the Act, such as educational, or readjustment allowance benefits?

Yes; provided he can qualify for the loan.

44. If a veteran is homesteading may loans be guaranteed?



Yes. Loans may be guaranteed for all ordinary farm and business purposes except the construction of buildings. Construction loans can be guaranteed only after the veteran acquires title to the land.

45. Can a veteran obtain a guaranteed loan to buy or establish a farm or business that he intends to operate on a part-time basis?

Yes.

46. Why is it necessary to have the property appraised?

The law requires that the purchase price paid or to be paid for property, or the cost of construction, alterations and improvements, must not be more than the reasonable value thereof as determined by proper appraisal made by an appraiser designated by the Veterans Administration.

47. Can a veteran get a guaranteed loan to buy or construct a residential property containing more than one family unit?

Yes; but the total number of separate units cannot be more than four if one veteran is buying. If more than one veteran is buying, then one additional family unit may be added to the basic four for each veteran participating; thus one veteran could buy four units, two veterans six units, three veterans seven units, etc.

48. Must a veteran live on the farm he buys with a guaranteed loan?

No; but the veteran must at least supervise the farming operations.

49. Can a loan to buy an automobile for pleasure purposes only be guaranteed?

No. If, however, an automobile is found to be essential to the veteran's business or farming operations, the loan may be guaranteed.

50. Can a loan to purchase household furniture be guaranteed?

No.

51. May a loan be guaranteed for the purchase of a cooperatively owned apartment or business?

Yes; under certain circumstances (see your lender who will consult a regional office of the Veterans Administration, if necessary).

52. Can Federal agencies make guaranteed loans?

Yes; some do. For example, the Reconstruction Finance Corporation makes guaranteed business loans under certain circumstances.

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